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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

January 5, 1998

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, NW, Room 222, SC-1170
Washington, DC 20554

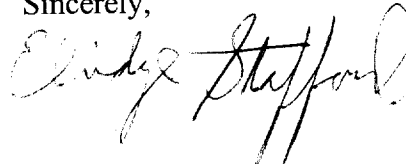
RE: Local Number Portability, CC Docket No. 95-116

Dear Ms. Roman Salas:

Today, Merlin Jenson and the undersigned, representing U S WEST, met with Thomas Power from the Office of Chairman Kennard regarding the Commission's Further Notice of Proposed Rulemaking in the above-referenced docket. We discussed U S WEST's position on cost recovery for number portability. The attached document was used in the discussion. Please include a copy of this letter and the attached document in the record of this proceeding.

In accordance with 47 C.F.R. § 1.1206(a)(2) of Commission's rules, the original of this letter and one copy are being filed with your office. Acknowledgment and date of receipt are requested. A duplicate of this letter is attached for this purpose. Please contact me if you have any questions.

Sincerely,



Attachment

cc: Thomas Power

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Number Portability Cost Recovery

U S WEST
January 5, 1998

Merlin Jenson
Elridge Stafford

Overview

- **All Costs Identified for Recovery Relate Solely to Number Portability**
- **Cost Recovery Rules Must Recognize Difference in Markets**
- **End User Surcharges Are The Best Recovery Plan**
- **Number Portability Is A Federal Mandate**

All Costs Identified for Recovery by USWC Relate Solely and Directly to Number Portability

- Certain network upgrades are included in USWC costs for Number Portability.
- Contrary to the Commission's position, these network upgrades should be treated as type 2 carrier-specific costs directly related to providing number portability, rather than type 3 carrier-specific costs not directly related to number portability.

Cost Recovery Rules Must Recognize Difference in Markets

- Revenues from the incremental deployment of Number Portability related software are speculative at best in many markets.
- USWC deploys software for enhanced services only where a market need has been identified.
 - Areas where Number Portability causes new software to be deployed have not been identified as potential markets.
 - Small population & lack of business customers desiring AIN services.
 - Cost of incremental investments is too high to justify offering service.
 - USWC has deployed CLASS features in all switches.
- The great majority of services enabled by new generics and software merely provide monitoring capabilities.
 - SS7 SSP capability has virtually no potential for new revenues.
 - All new AIN capability is for Number Portability only.
 - All vendors have licensed AIN capability for providing Number Portability only.
 - Any additional uses require a separate license agreement & payment.

Cost Recovery Rules Must Recognize Difference in Markets (Cont'd.)

- Buckley, WA (Seattle MSA) -- Selected for Number Portability
 - DMS 10 switch
 - Switch serves approximately 2900 access lines.
- Aberdeen, SD -- Expected future deployment
 - 1990 population -- 24,927 -- small by national standards, but Aberdeen is the third largest city in South Dakota -- big by South Dakota standards.
 - When competition comes to South Dakota, it will come to Aberdeen. For example, the access service consortium of South Dakota independent telephone companies.
 - Aberdeen switch serves approximately 19,000 access lines.

End User Surcharges Are the Best Recovery Plan

- The '96 Act and the Commission have determined that deployment of Number Portability is an important first step in developing local competition in telecommunications.
 - "To the extent that customers are reluctant to change service providers due to absence of Number Portability, demand for services by new service providers will be depressed.... and thereby frustrate the competitive goals of the 1996 Act."
(First R&O @ paragraph 31)
 - Deployment primarily benefits new entrants, not incumbents.
 - Recovery of costs over a short period is essential for competitive neutrality.
- All current customers benefit from Number Portability and should pay the cost.
 - Virtually all calls (intrastate and interstate) within or to Number Portability areas will require use of Number Portability investments.
 - They can change service providers in the future without changing their telephone number.
 - They can call others who have changed service providers without learning new telephone numbers.

End User Surcharges Are the Best Recovery Plan (Cont'd.)

- Surcharge should be applied to all end users bills.
- An end user surcharge plan over a short transition plan is the best recovery plan and is competitively neutral.
 - Any surcharge over a three-to-five year period will be small. Most likely substantially less than customers pay in telephone taxes.
 - Simplest and least costly alternative.

Number Portability is a Federal Mandate

- U S WEST believes that all Number Portability costs should be recovered through a Federally mandated surcharge.
- In the alternative the Commission should not place unnecessary limitations on state cost recovery methods.